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November 4, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, D.C. 20554

RE: Ex Parte
In the Matter of Applications for Transfer of Control to AT&T Corp. of Licenses and Authorizations Held by Tele-Communications, Inc.
CS Docket No. 98-178

Dear Ms. Roman Salas:

Please include a copy of the attached speech in the record for the above- mentioned proceeding.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

Betsy J. Brady

Attachment

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List A B C D E

C. Michael Armstrong
Washington Metropolitan
Cable Club
Washington, D.C.
November 2, 1998

AS PREPARED FOR DELIVERY

Thank you, John (Evans), for that kind introduction.

This is probably the last opportunity I will ever have to be a guest of the Washington Metropolitan Cable Club. The next time I come back I hope to qualify as a full-fledged member.

John Evans tells me that my appearance here today is filled with symbolism. He says that if the chairman of AT&T had appeared before a cable industry group a few decades back, the audience would have been looking daggers at him.

Maybe some of you can remember the scraps with AT&T and the Bell companies over fees for attaching coax to telephone poles and the pricing and quality of lease-back arrangments.

How the world has changed. Two months from now we'll mark the fifteenth anniversary of AT&T divesting its local Bell telephone companies in 1984.

Now, the Bell local monopolies charge AT&T and other long distance companies outrageous fees to carry calls over the last mile from our network to the homes and businesses of our customers. And not even the Telecom Act of 1996 has yet been able to pry open their local monopolies.

With the Telecom Act, Congress intended to give customers a choice for the local telephone service market. AT&T is determined to deliver that choice with a facilities-based offer.

So we've turned to the only other source with a communications wire into most homes in America- cable TV. I suspect that the irony in all this hasn't escaped many in this room.

I'm certainly not here to tout the financial benefits of our merger with TCI- the SEC would take a dim view of that.

I am here for some plain talk on the future of the emerging communications industry -- a future where the prospects of telecom and cable TV are quickly coming together.

And I want to look at some issues that will have an impact on our investment in broadband facilities.

So let me get down to business with a look at the industry.

The communications business is booming with innovation, excitement and change.

- Industry growth is projected at 8-10%,
  3-4 times the growth of the economy.
- Commerce on the Internet, barely a blip a few years ago, could surpass $300 billion by 2002.
- Wireless phones have gone from being a novelty to a necessity.

It took radio 30 years to reach 50 million people. It took 13 years for TV to do the same. But the World Wide Web reached twice as many users in half the time. Today, more than 100 million of us have logged on to the Internet and experts project 250 million Internet users around the world just four years from now.

The Internet Protocol standard gives the telecom industry a technological freedom that didn't exist just a few years ago. And we'll put it to good use as we team up with TCI.

Cable offers the telecom industry access to 65 percent of all American homes. But more than that, cable's broadband capacity will give us the ability to exploit the convergence of the TV, PC, and telephone to create a whole new generation of communications, information and entertainment services.

Consider the capabilities a digital cable pipeline will provide the typical family. The advanced cable device on your TV will not only let you order pay per view movies- it will be a virtual communications center.

When you come home, you can turn on the TV, the PC or the telephone to retrieve all the messages that came in-email, voice or faxed. Or, if you're on the road, have them read to you over your wireless phone as the network will translate text to voice automatically.

The cable device will also give you access to the Internet at speeds a hundred times faster than today's fastest modems. And the same cable that brings TV and Internet into your home will give you as many telephone lines as you would like: one for Mom and Dad, one for the kids, one for the fax and one for the PC. Each with its own ring.

You can take as many lines as you need- and pay only for what you use. Have a visiting mother-in-law? Point and click to provision another line for her own phone number and message center. Need caller I.D., call waiting or call forwarding? It's packaged in a simple single low cost feature set.

The delivery of broadband communications services through America's cable TV plant is a good deal right now - and it promises to get even better.

AT&T intends to deliver on that promise through our pending investments in TCI and @Home.

Broadband connections to homes mean we can deliver the kind of multimedia services people have been expecting ever since Al Gore started talking about the "Information Superhighway."

When it comes to cable-based Internet services and access, we can offer consumers broadband services at equivalent or lower cost than what they're paying now for narrowband services.

At the same time, we can leave our customers free to choose their own on-line content and service providers. That means a wider range of services for our customers, and it means revenue growth for on-line service providers.

And everything we do will encourage rather than stifle the competition that's such an important part of this dynamic market.

Big plans? You bet. But not unreasonable when you take a closer look at the piece parts.

Let me start with the customer value proposition. It's simple and straightforward: customers get significantly better service at equivalent or even lower prices.

Just consider what consumers are paying right now. Most consumers get narrowband access to the Internet. That means paying a monthly charge to an ISP for access, and buying a modem- or else buying a PC with a modem built in.

As the Internet gets more important in people's lives, more consumers are also buying a second phone line for access. That's getting to be the rule rather than the exception.

So these typical consumers wind up paying about 37 bucks a month, plus the one-time cost of the modem. And what do they get for it? They get cumbersome dial-up access. They get download speeds of less than 56 kilobits a second.

Some consumers will continue to be satisfied with that. Many others will not. So, following our merger with TCI, we will offer consumers @Home's broadband service that will be a quantum leap ahead in speed and options

Let's look at the broadband service @Home offers.

Start with the dollars and cents. The @Home customer pays a monthly charge. He or she buys or leases a modem, which eliminates the need for a second phone line.

Add it all up, and we anticipate the monthly charge when the customer buys their own modem at about 30 bucks a month, compared to about $37 paid by the narrow band customer. But the seven dollars savings at the get-go doesn't come close to being the bottom line.

The bottom line is in the combination of price and performance.

Our broadband customer's Internet connection is always available and always on, more like a TV or radio. And the stream of information on that broadband connection is coming in at peak speeds greater than 1 megabit — one million bits per second.

At speeds like that, coupled with @Home's intelligent network, you get almost instantaneous access to any web page. No more jokes about "point-click-and wait." With @Home's broadband service, a video web page that would take you almost 10 minutes to download on a typical narrowband modem can be accessed in under 6 seconds.

That kind of data speed will support the long-promised multimedia applications of the Information Superhighway. And that's why @Home is strategic and integral to AT&T's vision. We look forward to working closely with them.

AT&T is in the process of investing billions of dollars in infrastructure to make sure we can offer consumers across this country access to the best applications the market has to offer. The bottom line once again is significantly better service at a more attractive price.

This is an idea whose time has come.

Of course, no company on its own can deliver on the growing expectations for broadband service. Which brings me to the importance of our relationship with on-line service providers.

Some OSP's have been publicly worrying that the new broadband model we're launching might freeze them out by denying our customers access to their services.

But there's no way that's going to happen. That wouldn't be in our best interests, or the best interests of our customers.

Our message to the largest OSP and all the others couldn't be more direct: If you've got a service our customers want, we want you on our system.

We look forward to a broadband version of the cooperative arrangement in place right now in the narrowband market.

Today AOL, for example, allows customers the option to "Bring your Own Access," or "BYOA."

It's a good deal for all concerned, especially AOL. They collect $9.95 a month from each of these customers, without the bother and expense of actually providing access. We're told that something like 25 percent of AOL's customers access AOL by this method already.

When we apply this BYOA model to broadband, we'll also offer customers a better deal. Once again, it comes down to better service at a lower price.

Narrowband Internet service with the second phone line and the $9.95 BYOA charge from AOL costs about $47 a month. In the broadband world, AOL's customers should be able to get AOL content and services over AT&T's cable network for about $40 a month. And, of course, they'll have the vastly expanded capacity and speed of broadband.

So AOL or any other OSP can actually gain revenue by our customers reaching their services via our broadband network. That means enhanced advertising, e-commerce and other advantages.

It's a win-win situation.

Now some narrowband Internet service providers want the government to give them a free ride on those broadband pipes. Their idea is to allow these narrowband companies to provide broadband access service to their customers over facilities that someone else built.

If those companies want to move up into broadband, terrific. But getting a free ride on someone else's investment and risk is not the way to do it.

That's just not fair. It's not right. Worse, it would inhibit industry growth and competition. No company will invest billions of dollars to become a facilities-based broadband services provider if competitors who have not invested a penny of capital nor taken an ounce of risk can come along and get a free ride on the investments and risks of others.

That would be a major disincentive to the kind of risk-taking that goes with infrastructure investments. And discouraging investment would have a chilling effect on competition. Not just competition in advanced services but local phone competition as well.

Narrowband ISPs are enjoying the benefits of a common-carrier infrastructure that was created for other purposes. ISPs are using that infrastructure to provide service with very little capital investment on their part.

But that regulated common-carrier model is very different from the access models developing for broadband services. We're talking about people building new networks to provide new services at their own expense and their own risk, with none of the cross-subsidies and government protection enjoyed by the monopoly common-carriers.

AT&T, TCI, other MSO's and @Home are investing tens of billions of dollars to offer customers a facilities-based alternative to the monopoly regional phone companies.

It's certainly appropriate for the government to force local monopoly phone companies to open their facilities to competition. The Telecommunications Act of 1996 requires it. But Congress decided to treat emerging broadband facilities very differently in order to provide an incentive for companies like AT&T to invest in new facilities for competition.

This is a wonderfully dynamic market. ISP's can find lots of new opportunity by adding value to their services. They can offer enhanced services to our cable/telephony customers on a BYOA basis.

Our cable-telephony customers will have multiple phone lines. If they want to dedicate one for dial-up access to a narrowband ISP, no problem.

The fact is, there is a wealth of opportunity for ISP's and AT&T to work together and enrich our offer to customers.

I believe in a broadband future that is open to all participants and based on three principles:

First, customers should have easy access to the on-line content of their choice. But that access should be through commercial arrangements, not regulation.

Second, broadband platforms should share a common standards-based technical architecture. Content providers, aggregators and portals should not have to reprogram their sites to use the broadband systems.

And third, customers should enjoy maximum pricing flexibility. For example, they should be able to lease their broadband modem or buy it, enjoying the benefits of retail competition.

In fact, the merger of AT&T and TCI is all about competition, customer choice and value. It is about creating competition in local telephony and increasing competition in the Internet. It is about accelerating the deployment of digital broadband networks that will be the springboard for a new competitive model.

And that's what the Telecom Act was all about.

Congress's hope was that cable companies would provide a competitive two-way pipe into homes, and give consumers choice in local telephone service.

In short, when it passed the Telecom Act, Congress was counting on that cable company wire to help eliminate the Bells' monopoly on local telephone service, and to usher in the multimedia services of the future.

The TCI merger is AT&T's way of saying "Amen!" to that.

We believe this industry has a fantastic future ahead of it. It's a future shaped by the twin forces of technology and customer demand, and shared by the telecom and cable industries.

But this future won't happen by itself.
It needs help from people who understand what's at stake, people in industry and government who will work to preserve the incentives for investment and competition that will keep this industry moving ahead.

I know there are people here today who match that description. And I look forward to working with all of you.

Thank you very much.

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